

Exhibit B

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1 UNITED STATES DISTRICT COURT
2 FOR THE DISTRICT OF NEW JERSEY

3 COMMODITY FUTURES TRADING)
4 COMMISSION,)
5 Plaintiff,)
6 vs.) No. 3:23-cv-11808
7 TRADERS GLOBAL GROUP, INC., a)
8 New Jersey corporation, d/b/a)
9 "MY FOREX FUNDS"; TRADERS)
10 GLOBAL GROUP, INC., a)
11 Canadian business)
12 organization, and MURTUZA)
13 KAZMI,)
14 Defendants.)

15 The remote audiovisual deposition
16 of MATTHEW CHICHESTER, called by the Plaintiff
17 for examination, pursuant to subpoena and pursuant
18 to the Federal Rules of Civil Procedure for the
19 United States District Courts, taken via
20 videoconference before Mary Maslowski, CSR and
21 Notary Public within and for the County of Cook
22 and State of Illinois, commencing at the hour
23 of 8:02 o'clock on October 30, 2023.
24

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1 A P P E A R A N C E S:

2 MR. ASHLEY J. BURDEN, Senior Trial
3 Attorney
4 MS. ELIZABETH M. STREIT, Trial Team Leader
5 MS. KATHERINE PAULSON, Trial Attorney
6 MR. MATTHEW EDELSTEIN, Investigator
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12 On behalf of the U.S. Commodity
13 Futures Trading Commission;

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20 On behalf of the Defendants;

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On behalf of Matthew Chichester.

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1 I N D E X

2 WITNESS	DX	CX	_RDX	RCX
3 MATTHEW CHICHESTER				
4 By Mr. Burden	4			130
5 By Mr. Wolfe			112	

6

7

8 E X H I B I T S

9 (Previously marked)

10 CFTC EXHIBIT	FIRST REFERENCE
11	
12 No. 23	9
13 No. 24	45
14 No. 25	78
15 No. 26	103
16 No. 27	43
17 No. 31	65
18 No. 32	76
19 No. 33	31
20 No. 34	41
21 No. 36	85
22	
23	
24	

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1 (Witness duly sworn.)

2 MR. BURDEN: All right. Do we
3 want to take appearances real quick, Mary,
4 or shall we --

5 THE REPORTER: Yeah.

6 MR. BURDEN: -- do that later or on
7 paper?

8 THE REPORTER: Now is good.

9 MR. BURDEN: Okay. Ashley Burden
10 for the CFTC joined by Katherine Paulson and
11 Elizabeth Streit. Defendants.

12 MR. WOLFE: Kurt Wolfe for the
13 defendants. It's K-u-r-t W-o-l-f-e, and I'm
14 from the law firm Quinn Emanuel.

15 MR. KELLY: And for the witness,
16 Matthew Chichester, you have Michael Kelly,
17 Lauren Goddard and Richard Brosnick of
18 Akerman, LLP.

19 MATTHEW CHICHESTER,
20 called as a witness herein, having been first
21 duly sworn, was examined and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. BURDEN:

24 Q All right. Mr. Chichester, for whom

<p style="text-align: right;">Page 25</p> <p>1 does VWAP stand for, please.</p> <p>2 A Volume-weighted average price.</p> <p>3 Q All right. And what does that mean?</p> <p>4 A I -- so what I'm trying to get at</p> <p>5 is like I'm not sure if that's used technically</p> <p>6 properly with the bridge. In the industry it's</p> <p>7 generally what their average price was over a</p> <p>8 series of fills with like the volume weight.</p> <p>9 So if a client had four trades and they were</p> <p>10 aggregated into a position, that would be like</p> <p>11 their average price they received.</p> <p>12 Q So that's the way that VWAP is normally</p> <p>13 used in trading you're saying?</p> <p>14 A Yeah, that's the industry term as</p> <p>15 I'm familiar with it.</p> <p>16 Q Got it. So what did VWAP mean for</p> <p>17 Traders Global?</p> <p>18 A From my understanding, it was</p> <p>19 executing on the depth of market, which would</p> <p>20 be when you're trading there is a series of price</p> <p>21 tiers and the price changes or in the case of the</p> <p>22 ask, as you went on higher volumes you would see</p> <p>23 that ask get progressively higher to reflect</p> <p>24 market volumes. And from my understanding, the</p>	<p style="text-align: right;">Page 27</p> <p>1 those orders.</p> <p>2 Q So what's happening with this new</p> <p>3 way of applying slippage to customer orders is</p> <p>4 that the customers are still executing against</p> <p>5 Traders Global and not against any third party or</p> <p>6 on an exchange, right?</p> <p>7 A Yes. I do know they did send some</p> <p>8 trades to the exchange, but from my understanding,</p> <p>9 the VWAP was for the Traders Global counterparty</p> <p>10 execution.</p> <p>11 Q All right. When you say Traders</p> <p>12 Global sent some trades to the exchange, what are</p> <p>13 you referring to there?</p> <p>14 A CDO Markets.</p> <p>15 Q All right. So is CDO Markets an</p> <p>16 exchange?</p> <p>17 A I could have used the wrong term</p> <p>18 there. I don't know what I would classify them</p> <p>19 as. I don't have a deep understanding of their</p> <p>20 company.</p> <p>21 Q Got it. All right. So Traders Global</p> <p>22 uses this VWAP to apply slippage to customer</p> <p>23 trading, correct?</p> <p>24 A Correct. I'm not sure if it's</p>
<p style="text-align: right;">Page 26</p> <p>1 bridge had a way of subscribing to that to pull</p> <p>2 in what the price would be based on the volume</p> <p>3 traded, and that was how that setting worked when</p> <p>4 applying those parameters to a client's fill for</p> <p>5 execution price.</p> <p>6 Q And when did Traders Global start</p> <p>7 using this -- let me take a step back. So Traders</p> <p>8 Global is the counterparty for substantially all</p> <p>9 of its customers' trades, correct?</p> <p>10 A From my understanding, I'd say that's</p> <p>11 correct.</p> <p>12 Q All right. So this VWAP thing,</p> <p>13 this is just another way of imposing slippage on</p> <p>14 customer orders, correct?</p> <p>15 A Yeah. The way I would phrase it</p> <p>16 is applying depth of market to the fills, so the</p> <p>17 proper pricing based on the volume or the best</p> <p>18 estimate of it.</p> <p>19 Q But this depth of market is for</p> <p>20 Traders Global simulated as far as the customers</p> <p>21 are concerned?</p> <p>22 A It does pull it from like the</p> <p>23 actual liquidity provider's pricing, but there</p> <p>24 is no fill verification at the LP for those, for</p>	<p style="text-align: right;">Page 28</p> <p>1 applied globally or not, but that is a setting</p> <p>2 they have used.</p> <p>3 Q And this slippage, this VWAP</p> <p>4 setting is sort of new because it attempts to</p> <p>5 simulate what might happen in the market based on</p> <p>6 this external information that Traders Global gets</p> <p>7 from CDO Markets, right?</p> <p>8 A Yes, I would say that's a fair</p> <p>9 explanation.</p> <p>10 Q But these orders are not being</p> <p>11 sent to CDO Markets. They're just internalized</p> <p>12 by Traders Global, correct?</p> <p>13 A Yes, and for VWAP, yes.</p> <p>14 Q So this VWAP slippage methodology,</p> <p>15 when did Traders Global start applying that to</p> <p>16 customer trades?</p> <p>17 A It was earlier this year. I can't</p> <p>18 recall the exact date, but it was a newer feature</p> <p>19 of the bridge.</p> <p>20 Q Got it. So do you have any</p> <p>21 knowledge or understanding of why Traders Global</p> <p>22 wanted to do that, why do this VWAP thing?</p> <p>23 A I don't have, yeah, an exact</p> <p>24 explanation. I was -- I don't believe I was</p>

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1 A I believe you could find that answer
2 definitively if you looked at the risk profile
3 settings.
4 Q Yeah, we looked at the risk profile
5 settings. I want to know what your recollection
6 and understanding is. Let me ask the question
7 again, make it easy. So is it fair to say that
8 some Traders Global customers got more delay and
9 some Traders Global's customers got less delay
10 added to their orders?
11 A I would have to review the overall
12 delay settings, but I am aware there -- from
13 looking at the data provided earlier, that it
14 looked like there was changes made to it. So that
15 sounds accurate.
16 Q And what's accurate is that
17 some Traders Global customers had more delay
18 imposed and some Traders Global customers had less
19 delay imposed on their trades, is that right?
20 A I believe from reviewing some of the
21 files compiled, that looked to be the case.
22 Q All right. So let me ask you this,
23 if you know. Did the various slippage and delay
24 settings that Traders Global imposed on customer

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1 accounts, did they accurately mimic the market,
2 as you put it?
3 A I believe there was, yes, an attempt
4 to have it mimic. But when you say mimic, what's
5 mimic, you know.
6 Q Well, what I'm asking, Mr. Chichester,
7 is were these attempts to make the slippage and
8 delay mimic the market, were they successful? Do
9 you have any understanding of did this work? Did
10 Traders Global manage to successfully mimic the
11 market, whatever that is?
12 A I'm unsure if any analysis was
13 done in that regard. I was not a part of any.
14 Q So let me ask you this, Mr. Chichester.
15 If Traders Global was attempting to mimic real
16 execution against CDO Markets, why not just STP
17 all the customers?
18 A I believe that would come down to them
19 STP'g with their own capital versus the clients'
20 capital.
21 Q What do you mean by that?
22 A I think it circles back on the
23 fact I do not know what they were doing with the
24 funds or how the banking was situated. So I guess

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1 a better answer is I'm not sure. It would depend
2 on the funds so ...
3 Q Okay. I don't want to misstate your
4 testimony, but I think your testimony before was
5 in most cases the slippage and delay was intended
6 to mimic the market. Is that what you said? Did
7 I get that basically right?
8 A That sounds correct.
9 Q I want to focus on that in most
10 cases piece. What were the cases, the instances
11 where the slippage and delay settings were not
12 intended to mimic the market, as you put it?
13 A The fact that there are varying
14 risk profiles, yeah, I would say I'd have to look
15 at the individual risk profiles. But since there
16 was a few different ones, as you characterized, it
17 sounds like some were more aggressive than others.
18 Q Got it. So in real life if somebody's
19 trading in a market or on an exchange, you know,
20 those people, they're all going to get the same
21 market, right?
22 A It depends on how that brokerage
23 is operating themselves.
24 Q Okay. I guess if you're looking

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1 at it from the standpoint of an unregistered RFED,
2 then I guess your answer's accurate. So I want
3 to drill down on that. So how is the fact that
4 Traders Global customers had varying risk
5 profiles, how was that not mimicking the market?
6 A I think the intention was to in
7 most regards, but I do not know myself why there
8 would be a need for varying settings across the
9 risk profiles. It may have been explained over
10 the chat.
11 Q So these different settings and
12 varying risk profiles, this is a way in which
13 Traders Global's settings don't mimic the market
14 accurately, is that correct?
15 A I wouldn't definitively say that.
16 Q So these varying risk profiles --
17 you know what, strike that. Yeah, so I don't
18 think we're there yet. I had asked -- I had asked
19 what were the instances of slippage or delay that
20 in your view didn't mimic the market and your
21 response was, quote, varying risk profiles.
22 Have I got that right?
23 A Yes.
24 Q All right. So help me understand

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1 **this. Why did varying risk profiles depart from**
2 **what it would look like if these customers got to**
3 **trade for real?**
4 A Because there wasn't necessarily,
5 from my knowledge, analysis done to compare the
6 execution across the profiles. So I couldn't
7 point to one profile and say this is the one that
8 most closely mimics it or along those lines.
9 **Q But to your knowledge, no analysis**
10 **was done by anybody to see if these profiles or**
11 **any of the settings that Traders Global imposed**
12 **bore any resemblance to real trading, correct?**
13 A I'm unsure what type of analysis was
14 or was not done.
15 **Q Are you aware of any?**
16 A I do not recall any.
17 **Q All right. So I want to switch**
18 **gears a little bit and talk about another**
19 **interesting thing you said in response to**
20 **Mr. Wolfe's incisive questioning. So you talked**
21 **about how some of Traders Global's profiles as**
22 **you described them, slippage, delay, how they may**
23 **have been designed to address, quote, deficiencies**
24 **in the system. Am I accurately recalling your**

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1 **testimony?**
2 A Yeah, that sounds accurate to me.
3 **Q All right. So these deficiencies**
4 **in the system that Traders Global wants to stop**
5 **customers from taking advantage of, they're trying**
6 **to do that through slippage and delay, am I right?**
7 A Once again, dismiss my hand waving.
8 It's for the lights. Okay. I would say -- so
9 what I'm trying to get at, there's -- we discussed
10 earlier the stop loss slippage setting. So it
11 depends if you characterize that as the overall
12 slippage settings, but that was a setting in place
13 to best address the issues of the platform as far
14 as gap trading.
15 **Q Were all of the slippage and delay**
16 **settings imposed by Traders Global aimed at**
17 **addressing deficiencies in the system?**
18 A Depends on the -- well, so when
19 I say deficiency, I was specifically referring to
20 the gap trading where there is an inherent problem
21 with how MetaQuotes executes gap trading if you do
22 not -- if you have things on auto-execution or
23 their default execution. But that's -- that was
24 my -- yeah, I was strictly responding in regards

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1 to that, I guess you would say.
2 **Q Got it. So your testimony is, you**
3 **know, to the extent slippage and delay to your**
4 **knowledge intended to cure deficiencies in the**
5 **system, you're just talking about the ones that**
6 **were imposed to address gap trading, right?**
7 A Yes. And I would say that some
8 of the delays, or I don't know if it's the delay
9 in all cases was to address potential any issues
10 with the price feed falling behind because when I
11 said deficiency, the MetaTrader platform also at
12 times is prone, like I explained earlier, to maybe
13 getting overloaded or there being a price latency
14 potential issue.
15 **Q So when you're talking about**
16 **deficiencies in the system or like issues with the**
17 **platform and the price feed, what you're talking**
18 **about is the electronic infrastructure that**
19 **Traders Global uses for their client orders,**
20 **right?**
21 A Yes, yeah, including the MetaTrader
22 platform.
23 **Q And Traders Global has control**
24 **over this electronic infrastructure, correct?**

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1 A Blanketly I'm not sure if I can
2 answer that, yeah. I mean, they do have access to
3 everything. I guess could you rephrase, please.
4 **Q I would love to. So Traders Global**
5 **controls the price feed that its customers see,**
6 **right?**
7 A Yes. I mean, they -- obviously
8 they're not issuing the price themselves. Like
9 it's issued over FIX by another company, such as
10 CDO, but they do have the ability to apply
11 markups.
12 **Q So Traders Global can decide what**
13 **price feed it wants to show customers, right? You**
14 **can say CDO or somebody else, right?**
15 A Yes, ultimately they have control over
16 the pricing they show their clients.
17 **Q And Traders Global can impose a markup**
18 **on those prices, right?**
19 A Yes, correct. That ability is
20 available in the technology.
21 **Q Whatever markup they want?**
22 A Yes.
23 **Q And Traders Global can impose**
24 **commissions on those customer trades, even if**